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To: Tarr, Jeremy M [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=98859532088e4437968231eb6fef6b70-jmtarr1]
Subject: [External] Texican Weekly Energy Update 1-14-18

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This is our weekly newsletter that helps to explain our natural gas issues



Texican Energy Update 1-14-18

NYMEX Updates 1-12-18

February NYMEX Nat Gas \$3.20
NYMEX one-year strip \$2.95- 2-year strip \$2.90 3-year strip \$2.90
Calendar 2019-\$2.85, 2020-\$2.85
Strip prices are indicative and have wide bid/ask
Last 12-month average NYMEX settlements: \$2.968
Last 3-year average: \$2.77
Crude oil: \$64.30
#2 fuel oil: \$2.09



Energy Update

The EIA reported an all-time record gas storage withdrawal of 359 Bcf for the week ending 1/5/18. Natural gas rallied in response.

My long time customer and good friend Jason Copland has said for years that we are allowing our public utilities to become 3rd world status because the voices of the few stop us from building the power plants, transmission lines and gas pipelines that we need to support existing needs much less our needs for growth. We need look no further than our current situation to validate Jason's assessment. Throughout the eastern half of the country, colder than normal, but in most cases not record cold weather has gas pipelines struggling to meet demand for gas fired power plants that were built before the pipelines to supply them with fuel them were built, and even as utilities try to build supply lines, environmental groups and grandstanding politicians stand in the way of development. The result is the equivalent of 3rd world rolling blackouts as insufficient gas and power deliverability is rationed. In a Charlotte Business Journal article last week Duke Energy referenced gas prices as high as \$175 per Mmbtu just before supplies in the pipeline ran out completely. That's the equivalent of \$24.32 per gallon of diesel or over \$1,000 for a barrel of oil, over ten times their market price which begs the question of Duke and the regulatory bodies who will eventually review its prudence in purchasing, "WHY WEREN'T THEY BURNING DIESEL every chance they could?"

The failure to plan for supplying our energy needs leads to a market where prices can be manipulated by the few players who control the diminishing supplies. History shows us that those criminals will go unscathed, except for a possible wrist slap.

Who is to blame? A long line of participants, I'm afraid. For example, SCANA and Southern Company had a moment when their nuclear power plants could have probably been built nearly on budget but they failed to keep the Nuclear Regulatory Commission confined to the plant reactors as Westinghouse had planned when they designed the AP 1000, but instead allowed bureaucrats to control every aspect of building. State regulators should have denied the replacement of coal plants with natural gas plants until utilities had interstate pipelines built to supply these massive new gas consumers. For reference, my state of North Carolina peaked in gas demand on a single cold day at 2.1 Bcf years ago. The new gas fired plants burn nearly that much gas every day of the year, without significantly added infrastructure. I am not alone. The same is true in your state too. Then, we have the folks we used to call NIMBYs, (not in my backyard) who now have effectively stop infrastructure projects from being built anywhere. When I meet with them I always ask how many came to the meeting on bicycles after charging their phones in homes powered only by sun and wind. The room goes silent and it is their hypocrisy that is driving us to 3rd world status. My Dad told me years ago, "If you fail to plan, you plan to fail." Too bad he can't be around today to run a regulated monopoly, sit on a state utilities commission or head up an environmental group instead of the folks we've got doing it.

Have a great week, and thanks for your continued business.
Aubrey Hilliard
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Final Thought

The reason why people give up so fast is because they tend to look at how far they still have to go, instead of how far they have gotten.

Simply the Best Service



The analysis contained herein is based upon information Texican Natural Gas Company reasonably believes to be accurate. However, they do not guarantee the accuracy of the analysis.

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